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COMPLIANCE IS MANDATORY

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Financial Management Operating Procedures and the Continuous Monitoring Program

Responsible Office: Office of the Chief Financial Officer

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Preface

P.1 Purpose

This NASA Procedural Requirements (NPR) document provides the financial management requirements for financial management operating procedures and the continuous monitoring program.

P.2 Applicability

This NPR is applicable to NASA Headquarters and NASA Centers, including Component Facilities and Technical and Service Support Centers. This language applies to JPL, other contractors, grant recipients, or parties to agreements only to the extent specified or referenced in the appropriate contracts, grants, or agreements.

P.3 Authority

- a. The Chief Financial Officers Act of 1990, Public Law 101-576
- b. OMB Circular No. A-123
- c. NASA Policy Directive (NPD) 9010.2, "Financial Management"

P.4 Applicable Documents

None.

P.5 Measurement/Verification

Quality assurance reviews and analysis of financial and budgetary reports and data submitted through the continuous monitoring program will be used to measure compliance with this NPR.

P.6 Cancellation

None.

/S/

Terry Bowie

NASA Deputy Chief Financial Officer

Chapter 1. General Overview

1.1 Overview

1.1.1 This chapter sets forth policies regarding the financial management operating procedures and continuous monitoring activities that are required to be performed for all NASA Centers for their associated Business Areas. These activities consist of the review and analysis of NASA's financial data to identify inaccurate data, abnormal balances, account relationship differences, and other financial reporting anomalies resulting in reporting discrepancies.

1.1.2 NASA's policy is to ensure that various tools and methods are used to thoroughly analyze and review the financial data reported both internally and externally. Our financial data is important in making mission critical decisions to ensure adequate resources are available and properly used. To ensure the most accurate financial data, NASA's accountants, financial managers, and program managers must institute a rigorous and comprehensive review and analysis process. Additionally, upon completion of the review and analysis of the financial data, each NASA Center Chief Financial Officer must ascertain these reviews have been conducted and must certify that all required reconciliation procedures have been performed. A resolution plan should be prepared for any exceptions and unreconciled differences. The procedures and monitoring activities covered in this chapter are found at:<http://www.nasa.gov/offices/ocfo/policies/index.html>

1.2 Agency Requirements

1.2.1 Financial Management Operating Procedures.

1.2.1.1 NASA's financial management operating procedures (FMOP) are designed to ensure standard and consistent methods of processing, reporting, and reviewing NASA's financial data. These procedures will provide additional resources to assist NASA's financial management community with their day to day operations. The FMOPs can be found on the Agency OCFO website.

1.2.1.2 FMOPs provide direction in processing financial activity in accordance with the principles, standards, regulations, and requirements applicable to each process. FMOPs reflect, at a minimum, the procedures required for compliance with NASA's Procedural Requirements. These procedures may be supplemented

as long as the additional processes do not alter the intent of the original FMOP. FMOPs are not intended to be desk guides.

1.2.1.3 NASA must have a standard and comprehensive method of reviewing and certifying that the financial information provided to our internal and external users is accurate. FMOPs include the key process and control activities determined to establish NASA's internal controls. These procedures are an integral part of NASA financial management guidance and should be used in conjunction with the prescribed NASA Procedural Requirements and Integrated Enterprise Management Program (IEMP) systems instructions contained within the Enterprise Performance Support System (EPSS).

1.2.1.4 The NPR contains NASA's official financial management policy. It includes information related to financial management matters under the direction of the Agency Chief Financial Officer.

1.2.1.5 EPSS documents are an integral part of these policies and procedures and should be used in conjunction with the instructions that are delineated in this NPR. These EPSS documents are subject to change based upon system enhancements and additional or clarifying guidance; therefore, the EPSS website should be accessed to ensure that the most current guidance is used.

1.2.1.6 All review and reconciliation activities contained in the Financial Management Operating Procedures must be executed within the timeframe stated.

1.2.1.7 The Financial Management Operating Procedures for the financial management subject matter areas include the following sections:

a. Purpose. This section describes why the procedure exists, or why it is required and what it is designed to accomplish or ensure.

b. Applicability. This section identifies the coverage of the procedure, including:

(1) The operating units, groups, or locations to which the procedure applies.

c. Scope. This section provides the processes covered in the procedure.

(1) The extent of activities covered should be provided including critical dates or events.

(2) The limits of the procedure should be defined?if there is a relation to other known procedures that should be stated

(3) The roles or activities of multiple offices or participants in the procedure or

in related procedures should be made clear.

d. Policy Basis. This section lists the following:

(1) The NASA NPR policy the procedure has been developed to implement; or legislation, directives or guidelines the procedure has been developed to implement.

e. Actions/Frequency of Execution, Process Steps. This section describes the actions of those personnel or operating units involved in the process being documented. Activities (Steps) should be described in order of performance and in sufficient detail to ensure the intent of the procedure is achieved. The procedures document should act as a check list that details critical subject information such as whom, what, when, and where. Relevant forms and guidelines should be included at the appropriate place in this section.

f. Responsibilities. This section details responsibilities for implementing office personnel. Position Titles must be provided for individuals responsible for executing this procedure and maintaining supporting processes. Note: Specific operational responsibilities are included in the Section providing actions, frequency of execution, and process steps.

g. Continuous Monitoring Program Activities and Internal Control Activities. This section should identify if this procedure contains a continuous monitoring activity as defined in the Continuous Monitoring Program and/or a key internal control. If so, the aspects of both the "continuous monitoring program" and the "internal control" activities of the procedure described should be identified and summarized.

h. Associated Supporting Documents. This section lists related procedures, forms, references or other documents which provide relevant information in relation to the procedure.

i. Forms/Record Keeping. This section lists forms and/or records that have been generated by this procedure. For each record, the following should be listed: title, location, responsible officer, and minimum retention period. j. Contact Point. This section provides the procedure's designated point of contact's information for help or interpretation.

1.2.2 Continuous Monitoring Program (CMP).

1.2.2.1 The Continuous Monitoring Program (CMP) provides the overall framework of management controls that NASA uses to assess and evaluate:

a. Internal controls,

- b. Compliance with Generally Accepted Accounting Principles (GAAP), and
- c. Evidence that balances and activity reported in its financial statements are accurate and complete.

1.2.2.2 The CMP ensures that errors and/or discrepancies are identified and corrected in a timely manner. It also ensures that there are ongoing management reviews and validations of financial data and internal controls. The reconciliations/work papers for each control activity are to be maintained as documentation and evidence the activity was performed. Supporting documents for the reconciliations are to be maintained at the Centers/Agency/ NASA Shared Services Centers (NSSC) and accessible on request. The Continuous Monitoring Program can be found on the Agency OCFO website.

1.2.2.3 The CMP chapters are designed to capture control activities for entire business processes for specific accounts. As a result each CMP chapter may address multiple related line items in the financial statements. Each CMP chapter also includes the proprietary and budgetary accounts that relate to the business process. For example, the accounts receivable CMP chapter includes proprietary and budgetary receivables, revenues, and customer advances because all of these transactional events are generated within the same business process as accounts receivable are recorded.

1.2.2.4 Each CMP chapter includes the following:

- a. Financial statement line item reference. References all basic financial statement lines that are supported by the section.
- b. General ledger accounts reference. Lists proprietary accounts with related budgetary accounts (the budgetary accounts are indented to show the relationships).
- c. Management assertions. All management assertions for the financial statement line items are listed.
- d. Control objective (for each section and entire document). To detect misstatements in significant financial statement/reporting assertions and Required Supplementary Stewardship Information (RSSI).
- e. Financial reporting objectives. Lists the GAAP financial reporting objectives that the control activities support.
- f. Control activities. Defines and sets standards for all control activities that collectively support the management assertions/control objective and financial

reporting objective for the section.

1.2.2.5 Each control activity is assigned a number related to the CMP chapter and a brief description. The standards for each activity are defined as follows:

- a. Purpose of reconciliation. Describes why the reconciliation is performed. Explanations are provided if there is some unique aspect of this activity.
- b. Frequency. How often reconciliation is performed (daily/weekly/monthly/quarterly). Some more in depth data analysis/review activities are scheduled to allow extended periods for performing the activity before quarterly reporting.
- c. Responsibility. One or all of the following Centers/Agency/NSSC. Disbursing locations will be either the Centers or NSSC.
- d. Procedures/data sources. Provides information on the standard data sources that are to be used for the control activity. Also provides the transaction codes all Centers are expected to use in order to ensure that all results are based on consistent data.
 - (1) External data source. If an external data source (i.e. Treasury reported confirmations) is needed, it is listed.
 - (2) Transaction code. SAP and/or BW transaction code.
 - (3) Transaction description. Description of the transaction(s).
 - (4) Accounting periods to be analyzed. Generally either year to date (1-current) or inception to date (0-current).
 - (5) Other selection criteria. Selection attributes for the reports (i.e. accounts, fund type).
 - (6) Analysis/review procedure to be performed. Procedure to be performed.
- e. Standards. What is expected (i.e. no reconciliation differences).
- f. Thresholds for differences/exceptions. Thresholds represent the absolute cumulative value of differences at the account, fund level and trading partner level (for vendor/customer related accounts) within a business area. (These are performance measures).
 - (1) Month end: Differences of \$XXX
 - (2) Quarter end: Differences of \$XXX

(3) Year end: Differences of \$XXX

g. Valid reconciling items. Identifies timing differences or other reconciling items that are usual to the accounts.

1.2.3 Additional information on how to post transactions and execute reports is available through the Enterprise Performance Support System (EPSS).

1.2.4 Centers and NSSC are expected to coordinate correction activities to ensure corrections are completed timely. Detail regarding these correction activities is available in introduction to the CMP document.

1.2.5 The Centers are required to submit the CFO Certification and the Center Reporting and the Management Reporting matrices (provided in the Appendix) for all Control Activities to the Deputy Chief Financial Officer by the 12th calendar day of each month.

1.2.6 The Center Reporting Matrix and Management Report Matrix are submitted to NASA Headquarters on a monthly basis. This is a standard form where Centers report results of control activities and certify that all activities have been completed. These forms are analyzed and evaluated by both Headquarters and Center management. NASA has implemented a quality control process that involves Headquarters and other personnel visiting the Centers to validate that the reported results are supportable and accurate. If all results, after these review/processes, are within performance measures and all control activities have been completed, then NASA will have demonstrated that it has management and internal controls that ensure its financial statements are reliable and have been prepared in accordance with GAAP. The reconciliations and other procedures performed as part of each control activity also provide documentation of balances and activities needed for audit purposes.

1.3 Roles and Responsibilities

1.3.1 FMOP Roles and Responsibilities.

1.3.1.1 NASA Agency Chief Financial Officer and Deputy Chief Financial Officer (DCFO) or Official designee shall:

- a. Coordinate and monitor the development and submission of reconciliations, other documents, and activities for periodic review and reconciliation processes.
- b. Provide financial management guidance and direction as to the procedures, purpose, due dates, and details to be included for periodic review and

reconciliation activities.

c. Designate a person(s) or office responsible for handling the guidance, coordination, and monitoring of periodic review and reconciliation activities.

d. Monitor financial management guidance and direction for compliance/consistency with standards, laws, and regulations.

e. Maintain and update guidance and direction as needed.

f. Publish financial management guidance and directions for use by NASA Centers and component entities.

g. Act in accordance with financial management guidance and directions as required.

1.3.1.2 NASA Center Chief Financial Officer shall:

a. Conduct or assist with the financial management operating procedure activities.

b. Monitor the results of activities defined in financial management operating procedures to ensure accuracy and timeliness.

c. Ensure that corrective action is taken as necessary due to findings through the performance of the financial management operating procedures and keep accurate documentation and records of corrections.

1.3.1.3 NASA Shared Services Center shall:

a. Conduct or assist with the financial management operating procedure activities.

b. Ensure timely completion of activities defined in financial management operating procedures.

c. Take corrective action as necessary due to findings through the performance of the financial management operating procedures and keep accurate documentation and records of corrections.

1.3.2 CMP Roles and Responsibilities.

1.3.2.1 The control activities should be performed for each individual business area except where Agency is indicated. The following are the business areas:

Business area	Center
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01	Agency
10	Headquarters
10	NASA Shared Services Center (NSSC)
21	Ames Research Center
22	Glenn Research Center
23	Langley Research Center
24	Dryden Space Flight Center
51	Goddard Space Flight Center
55	NASA Management Office
62	Marshall Space Flight Centers
64	Stennis Space Center
72	Johnson Space Center
76	Kennedy Space Center
77	OCFO Activities

1.3.2.2 The NASA Agency Chief Financial Officer and Deputy Chief Financial Officer (DCFO) or Official designee shall:

- a. Establish and be responsible for all reconciliations at the Agency level. (Agency in this document is consolidated NASA and Business Area 01 is one of the Centers included in Center level control activities).
- b. Analyze and evaluate the results of the monitoring activities through comparison to policy standards and performance metrics.
- c. Evaluate the results of control activities.
- d. Coordinate and monitor the development and submission of reconciliations.
- e. Provide guidance relative to the continuous monitoring process.

1.3.2.3 The NASA Center Chief Financial Officer shall:

- a. Establish responsibility for review and reconciliation activities.
- b. Ensure timely completion and submission of periodic review and

reconciliation activities on a monthly basis.

c. Ensure corrections identified through the control activities are corrected in a timely manner for items that can be.

d. Provide a monthly NASA Center Certification to ensure all control activities have been performed and results are consistent with the standards set forth for each activity. The certification will address the following:

(1) The reviews and/or reconciliations described for the internal controls have been performed.

(2) Auditable support documentation exists for the reviews and reconciliations performed.

(3) Any resulting discrepancies that exceed the thresholds are listed as exceptions and include a narrative explanation of the root cause, an associated value determined for the discrepancy, and an estimated date of correction (if not done in the current period being reported on).

1.3.2.4 The NASA Shared Services Center shall:

a. Performs review and reconciliation activities.

b. Provides timely completion and submission of periodic review and reconciliation activities as required in the CMP.

c. Records timely corrections of anomalies identified through the control activities for items that can be corrected.